

**TOWN OF WELSH, LOUISIANA**  
**ANNUAL FINANCIAL REPORT**  
**MAY 31, 2014**

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TOWN OF WELSH, LOUISIANA

ANNUAL FINANCIAL REPORT  
Year Ended May 31, 2014

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TOWN OF WELSH, LOUISIANA

May 31, 2014

**MAYOR**

The Honorable Carolyn Louviere

**BOARD of ALDERMAN**

Mr. Allen Ardoin  
Mr. Charles Drake  
Mr. Hugh Fruge

Ms. Becky Hudson  
Mr. Robert Owens

**LEGAL COUNSEL**

Mr. Richard M. Arceneaux

**TOWN CLERK**

Ms. Linda LeBlanc

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## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Board of Alderman  
Town of Welsh  
Welsh, Louisiana

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Welsh, Louisiana, as of and for the year ended May 31, 2014, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Welsh, Louisiana as of May 31, 2014, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the Sales Tax 1996 Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### **Required Supplementary Information**

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Welsh, Louisiana's basic financial statements. The introductory section and combining nonmajor fund financial statements and other schedules listed as supplementary information in the table of contents are presented for the purpose of additional analysis and are not a required part of the basic financial statements.



The combining nonmajor fund financial statements and the other schedules listed as supplementary information in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the other schedules listed as supplementary information in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2014 on our consideration of the Town of Welsh, Louisiana's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Welsh, Louisiana's internal control over financial reporting and compliance.

Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Ms Elroy Quirk & Burch*

Lake Charles, Louisiana  
November 17, 2014

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## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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TOWN OF WELSH, LOUISIANA

GOVERNMENT-WIDE  
STATEMENT OF NET POSITION  
May 31, 2014

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
Cash and cash equivalents	\$ 895,532	\$ 99,110	\$ 994,642
Investments	285,056	44,477	329,533
Receivables (net, where applicable, of allowance for uncollectibles):			
Accounts	71,726	348,442	420,168
Unbilled accounts	-	103,900	103,900
Taxes	8,222	-	8,222
Inventory	-	203,246	203,246
Internal balances	1,682,968	(1,682,968)	-
Other current assets	-	637	637
Restricted assets:			
Cash and cash equivalents	-	169,868	169,868
Investments	456,910	303,510	760,420
Capital assets:			
Land improvements and construction in progress	184,768	226,519	411,287
Buildings, furniture and equipment, net of depreciation	1,739,976	5,969,587	7,709,563
Total assets	<u>5,325,158</u>	<u>5,786,328</u>	<u>11,111,486</u>
<u>LIABILITIES</u>			
Accounts payable	78,733	404,621	483,354
Accrued liabilities	17,613	31,692	49,305
Noncurrent liabilities:			
Due within one year	28,000	174,000	202,000
Due in more than one year	208,000	331,000	539,000
Payable from restricted assets	-	67,100	67,100
Total liabilities	<u>332,346</u>	<u>1,008,413</u>	<u>1,340,759</u>
Investment in capital assets, net of related debt	1,688,744	5,691,106	7,379,850
Restricted for:			
Various purposes-sales tax	1,255,297	-	1,255,297
Unrestricted	<u>2,048,771</u>	<u>(913,191)</u>	<u>1,135,580</u>
Total net position	<u>\$ 4,992,812</u>	<u>\$ 4,777,915</u>	<u>\$ 9,770,727</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA

GOVERNMENT-WIDE  
STATEMENT OF ACTIVITIES  
Year Ended May 31, 2014

Functions/Programs	Expenses	Program Revenues		
		Fees, Fines and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Government activities:				
General government	\$ 411,588	\$ 170,370	\$ -	\$ -
Public safety	1,164,268	262,907	77,175	-
Highway and street	300,448	-	-	-
Sanitation	121,621	438,405	-	-
Culture and recreation	135,485	29,479	-	-
Total governmental activities	<u>2,133,410</u>	<u>901,161</u>	<u>77,175</u>	<u>-</u>
Business-type activities:				
Water utility	308,403	309,612	-	-
Sewer utility	338,245	364,268	-	-
Electric utility	<u>2,959,041</u>	<u>3,083,053</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>3,605,689</u>	<u>3,756,933</u>	<u>77,175</u>	<u>-</u>
Total government	<u>\$ 5,739,099</u>	<u>\$ 4,658,094</u>	<u>\$ 77,175</u>	<u>\$ -</u>

General revenues:

Ad valorem taxes  
Sales taxes  
Franchise taxes  
Other taxes  
Vending machine commission  
Intergovernmental  
Interest earned  
Miscellaneous

Transfers

Total general revenues  
and transfers

Change in net position

Net position at beginning of year

Net position at end of year

See accompanying notes to financial statements

Net (Expenses) Revenue and Changes in Net Assets		
Governmental Activities	Business Type Activities	Total
\$ (241,218)	\$ -	\$ (241,218)
(824,186)	-	(824,186)
(300,448)	-	(300,448)
316,784	-	316,784
<u>(106,006)</u>	<u>-</u>	<u>(106,006)</u>
<u>(1,155,074)</u>	<u>-</u>	<u>(1,155,074)</u>
-	1,209	1,209
-	26,023	26,023
<u>-</u>	<u>124,012</u>	<u>124,012</u>
<u>-</u>	<u>151,244</u>	<u>151,244</u>
<u>(1,155,074)</u>	<u>151,244</u>	<u>(1,003,830)</u>
95,979	-	95,979
798,073	-	798,073
28,120	-	28,120
11,653	-	11,653
16,157	-	16,157
9,776	-	9,776
4,504	12,846	17,350
23,818	78,722	102,540
<u>275,000</u>	<u>(275,000)</u>	<u>-</u>
<u>1,263,080</u>	<u>(183,432)</u>	<u>1,079,648</u>
108,006	(32,188)	75,818
<u>4,884,806</u>	<u>4,810,103</u>	<u>9,694,909</u>
<u>\$ 4,992,812</u>	<u>\$ 4,777,915</u>	<u>\$ 9,770,727</u>

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## FUND FINANCIAL STATEMENTS

## TOWN OF WELSH, LOUISIANA

## BALANCE SHEET - GOVERNMENTAL FUNDS

May 31, 2014

<u>ASSETS</u>	<u>General</u>	<u>Special Revenue Sales Tax 1996</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 65,287	\$ 816,126	\$ 14,119	\$ 895,532
Investments	94,036	191,020	-	285,056
Receivables:				
Taxes	8,222	-	-	8,222
Accounts	71,726	-	-	71,726
Interfund receivables	1,703,848	249,034	-	1,952,882
Restricted assets:				
Investments	<u>456,910</u>	<u>-</u>	<u>-</u>	<u>456,910</u>
Total assets	<u>\$ 2,400,029</u>	<u>\$ 1,256,180</u>	<u>\$ 14,119</u>	<u>\$ 3,670,328</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts payable	\$ 78,733	\$ -	\$ -	\$ 78,733
Accrued liabilities	16,731	883	-	17,614
Interfund payables	<u>249,011</u>	<u>-</u>	<u>20,903</u>	<u>269,914</u>
Total liabilities	<u>344,475</u>	<u>883</u>	<u>20,903</u>	<u>366,261</u>
Fund balances:				
Restricted for:				
Special revenue	-	1,255,297	-	1,255,297
Committed	456,910	-	-	456,910
Unassigned	<u>1,598,644</u>	<u>-</u>	<u>(6,784)</u>	<u>1,591,860</u>
Total fund balances	<u>2,055,554</u>	<u>1,255,297</u>	<u>(6,784)</u>	<u>3,304,067</u>
Total liabilities and fund balances	<u>\$ 2,400,029</u>	<u>\$ 1,256,180</u>	<u>\$ 14,119</u>	<u>\$ 3,670,328</u>
Amounts reported for governmental activities in the statement of net assets are different because:				
Total fund balance - total governmental funds				\$ 3,304,067
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds				1,924,745
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds				<u>(236,000)</u>
				<u>\$ 4,992,812</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

Year Ended May 31, 2014

	General	Special Revenue Sales Tax 1996	Non-Major Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 534,788	\$ 399,036	\$ -	\$ 933,824
Licenses and permits	145,003	-	-	145,003
Intergovernmental	9,776	-	-	9,776
Charges for services	435,149	-	18,500	453,649
Fines and forfeits	210,731	-	-	210,731
Interest income	2,125	2,376	3	4,504
Vending machine commission	16,156	-	-	16,156
Jeff Davis Sanitary Landfill	108,454	-	-	108,454
Grants	77,175	-	-	77,175
Miscellaneous	24,041	-	-	24,041
Total revenues	<u>1,563,398</u>	<u>401,412</u>	<u>18,503</u>	<u>1,983,313</u>
Expenditures:				
Current:				
General government	283,267	15,939	6,716	305,922
Police	1,028,562	-	-	1,028,562
Fire	81,688	-	-	81,688
Sanitation	111,451	-	-	111,451
Recreation	123,272	-	-	123,272
Cemeteries	30,650	-	-	30,650
Airport	2,890	-	-	2,890
Health and welfare	5,038	-	-	5,038
Paving/streets	-	281,838	-	281,838
Economic development	4,166	-	-	4,166
Capital outlay	55,486	10,128	18,709	84,323
Miscellaneous	-	-	221	221
Debt service:				
Principal retirement	26,000	-	-	26,000
Interest	-	-	-	-
Total expenditures	<u>1,752,470</u>	<u>307,905</u>	<u>25,646</u>	<u>2,086,021</u>
Excess (deficiency) of revenues over expenditures	<u>(189,072)</u>	<u>93,507</u>	<u>(7,143)</u>	<u>(102,708)</u>

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TOWN OF WELSH, LOUISIANA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS

Year Ended May 31, 2014

(Continued)

	<u>General</u>	<u>Special Revenue Sales Tax 1996</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Other financing sources (uses):				
Operating transfers in (out)	275,000	-	-	275,000
Excess (deficiency) of revenues and other sources over expenditures and other uses	85,928	93,507	(7,143)	172,292
Fund balance at beginning of year	<u>1,969,626</u>	<u>1,161,790</u>	<u>359</u>	<u>3,131,775</u>
Fund balance at end of year	<u>\$ 2,055,554</u>	<u>\$ 1,255,297</u>	<u>\$ (6,784)</u>	<u>\$ 3,304,067</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA

RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended May 31, 2014

Amounts reported for governmental activities in the  
statement of activities different because:

Net change in fund balance - total governmental funds	\$ 172,292
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(73,610)
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Amount by which the cost basis of fixed asset disposals Exceeded accumulated depreciation	(16,676)
--	----------

Principal payments of long-term debt, net current year capital lease acquisitions	26,000
--	--------

Governmental funds report proceeds of long-term debt as other financing sources and uses. However, in the statement of net position, the proceeds are reported as liabilities.	-
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Change in net assets of governmental activities	<u>\$ 108,006</u>
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See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA  
GENERAL FUND

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Year Ended May 31, 2014

	Budgeted Amounts			Variance With Final Budget Positive (Unfavorable)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 554,965	\$ 558,917	\$ 534,788	\$ (24,129)
Licenses and permits	152,000	152,000	145,003	(6,997)
Intergovernmental	21,000	21,000	9,776	(11,224)
Charges for services	486,175	439,334	435,149	(4,185)
Fines and forfeits	344,500	123,795	210,731	86,936
Interest income	2,200	2,200	2,125	(75)
Vending machine income	20,000	20,000	16,156	(3,844)
Grants	170,500	125,500	77,175	(48,325)
Landfill	125,000	125,000	108,454	(16,546)
Miscellaneous	23,800	14,300	24,041	9,741
Total revenues	<u>1,900,140</u>	<u>1,582,046</u>	<u>1,563,398</u>	<u>(18,648)</u>
Expenditures:				
Current:				
General government	521,165	325,025	283,267	41,758
Police	1,085,580	1,045,240	1,028,562	16,678
Fire	108,647	99,097	81,688	17,409
Street	85,170	-	-	-
Sanitation	181,460	124,680	111,451	13,229
Recreation	153,144	138,269	123,272	14,997
Cemeteries	48,500	35,550	30,650	4,900
Airport	62,100	11,500	2,890	8,610
Health and welfare	5,600	5,000	5,038	(38)
Economic development	22,250	4,300	4,166	134
Capital outlay	-	-	55,486	(55,486)
Principal retirement	26,000	26,000	26,000	-
Total expenditures	<u>2,299,616</u>	<u>1,814,661</u>	<u>1,752,470</u>	<u>62,191</u>
Excess (deficiency) of revenues over expenditures	(399,476)	(232,615)	(189,072)	43,543
Other financing sources (uses):				
Operating transfers in (out)	<u>375,000</u>	<u>275,000</u>	<u>275,000</u>	<u>-</u>
Excess (deficiency) of revenue and other financing sources over expenditures and other uses	(24,476)	42,385	85,928	43,543
Fund balance at beginning of year	<u>1,969,626</u>	<u>1,969,626</u>	<u>1,969,626</u>	<u>-</u>
Fund balance at end of year	<u>\$ 1,945,150</u>	<u>\$ 2,012,011</u>	<u>\$ 2,055,554</u>	<u>\$ 43,543</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA  
SALES TAX 1996

STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
Year Ended May 31, 2014

	Budgeted Amounts			Variance With Final Budget Positive (Unfavorable)
	Original	Final	Actual	
Revenues:				
Taxes	\$ 400,000	\$ 400,000	\$ 399,036	\$ (964)
Interest income	2,000	2,000	2,376	376
Total revenues	402,000	402,000	401,412	(588)
Expenditures:				
Current:				
General government	9,000	9,000	15,939	(6,939)
Paving/streets	1,120,080	370,080	281,838	88,242
Capital outlay	-	-	10,128	(10,128)
Total expenditures	1,129,080	379,080	307,905	71,175
Excess (deficiency) of revenues over expenditures	(727,080)	22,920	93,507	70,587
Fund balance at beginning of year	1,161,790	1,161,790	1,161,790	-
Fund balance at end of year	\$ 434,710	\$ 1,184,710	\$ 1,255,297	\$ 70,587

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA  
PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF NET POSITION  
May 31, 2014

ASSETS

Cash and cash equivalents	\$ 99,110
Investments	44,477
Receivables:	
Accounts	390,301
Estimated uncollectibles and allowances	(41,859)
Unbilled accounts	103,900
Inventory	203,246
Other current assets	637
Interfund receivables	(1,682,968)
Restricted assets:	
Cash and cash equivalents	169,868
Investments	303,510
Capital assets:	
Land, improvements and construction in progress	226,519
Buildings, furniture and equipment, net of depreciation	<u>5,969,587</u>
Total assets	<u>\$ 5,786,328</u>

LIABILITIES

Accounts payable	\$ 404,621
Accrued liabilities	31,692
Noncurrent liabilities:	
Current portion of long-term debt	174,000
Due in more than one year	331,000
Payable from restricted assets	<u>67,100</u>
Total liabilities	<u>\$ 1,008,413</u>

NET POSITION

Investment in capital assets, net of related debt	\$ 5,691,106
Unrestricted	<u>(913,191)</u>
Total net position	<u>\$ 4,777,915</u>

See accompanying notes to financial statements



TOWN OF WELSH, LOUISIANA  
PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN NET ASSETS  
Year Ended May 31, 2014

Operating revenues:	
Charges for services	\$ 3,754,433
Tap fees	2,500
Miscellaneous	78,722
Total operating revenues	<u>3,835,655</u>
Operating expenses:	
Salaries	481,248
Insurance	161,529
Repairs, maintenance and supplies	148,872
Utilities	76,967
Other services and charges	108,796
Electricity purchase	2,377,837
Depreciation	233,439
Total operating expenses	<u>3,588,688</u>
Operating income	<u>246,967</u>
Nonoperating revenues (expenses):	
Interest income	12,846
Interest expense	<u>(17,001)</u>
Total nonoperating revenues (expenses)	<u>(4,155)</u>
Income before operating transfers	242,812
Operating transfers	<u>(275,000)</u>
Change in net assets	(32,188)
Net position at beginning of year	<u>4,810,103</u>
Net position at end of year	<u>\$ 4,777,915</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA  
PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF CASH FLOWS  
Year Ended May 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 3,792,866
Cash payments to suppliers for goods and services	(2,932,563)
Cash payments to employees for services	(481,248)
Net cash provided by operating activities	<u>379,055</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Operating transfer from other funds (net)	(275,000)
Interfund payable (decrease)	280,960
Net cash provided by noncapital financing activities	<u>5,960</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of fixed assets	(175,137)
Retirement of principal	(195,000)
Interest paid	(17,001)
Accrued bond interest (decrease)	841
Net cash (used in) capital and related financing activities	<u>(386,297)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Receipts of interest	12,846
Purchase of investments	24,886
Net cash provided by investing activities	<u>37,732</u>
Net increase in cash and cash equivalents	36,450
Cash and cash equivalents:	
Beginning of year	<u>232,528</u>
End of year	<u>\$ 268,978</u>
Cash and cash equivalents at end of year consisted of:	
Unrestricted cash	\$ 99,110
Restricted cash	<u>169,868</u>
	<u>\$ 268,978</u>

(continued on next page)

TOWN OF WELSH, LOUISIANA  
PROPRIETARY FUND - UTILITY ENTERPRISE FUND

STATEMENT OF CASH FLOWS  
Year Ended May 31, 2014  
(Continued)

RECONCILIATION OF OPERATING (LOSS) TO NET

CASH PROVIDED BY OPERATING ACTIVITIES

Operating income	\$ 246,967
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	233,439
Changes in assets and liabilities:	
(Increase) in accounts receivable and other receivables	(42,789)
(Increase) in inventory	(18,450)
(Decrease) in accounts payable and other payables	<u>(40,112)</u>
Net cash provided by operating activities	<u>\$ 379,055</u>

See accompanying notes to financial statements

TOWN OF WELSH, LOUISIANA  
NOTES TO BASIC FINANCIAL STATEMENTS  
May 31, 2014

Note 1. Summary of Significant Accounting Policies

The Town of Welsh, Louisiana was incorporated September 4, 1951, under the provisions of the Lawrason Act. The Town operates under a Mayor-Town Council form of government.

The accounting and reporting policies of the Town of Welsh, Louisiana conform to accounting principles generally accepted in the United States of America as applicable to governments. Such accounting and reporting procedures also conform to the requirements of Louisiana Revised Statutes 24:517 and to the guidance set forth in the *Louisiana Municipal Audit and Accounting Guide*, and to the industry audit guide, *Audits of State and Local Governmental Units*.

The following is a summary of certain significant accounting policies.

A. Financial Reporting Entity

The accompanying financial statements include the various departments, activities, and organizational units that are within the control and authority of the Mayor and the Board of Aldermen of the Town of Welsh, Louisiana. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Statements No. 14 and No. 61 of the Governmental Accounting Standards Board. These statements define the reporting entity as the primary government and those component units for which the primary government is financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's board, and either a) the ability to impose will by the primary government, or b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government.

B. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government.

The Statement of Net Position and the Statement of Activities report financial information for the Town as a whole so that individual funds are not displayed. However, the Statement of Activities reports the expense of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and (2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

#### FUND FINANCIAL STATEMENTS

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The various funds are grouped, in the financial statements in this report, into three broad fund categories as follows:

#### GOVERNMENTAL FUNDS

General Fund - The General Fund is the general operating fund of the Town. It is used to account for all financial resources except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specified purposes.

Capital Projects Funds - These funds account for all financial resources segregated for the acquisition or construction of major general government capital projects.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

#### PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

#### C. Measurement Focus and Basis of Accounting

Measurement focus refers to which transactions are recorded within various financial statements. Basis of accounting refers to when revenues and expenditures (or expenses) are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for government funds. The primary effect of internal activity (between or within funds) has been eliminated from the government-wide financial statements.

In the fund financial statements, governmental funds are accounted for using a financial resources measurement focus whereby only current assets and current liabilities generally are included on the balance sheet and increases or decreases in net current assets are presented in the operating statements. These funds utilize the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available to finance expenditures of the current period. Certain revenues such as sales tax, property tax, and charges for services are assessed and collected in such a manner that they can be accrued appropriately. Expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for

principal and interest on general long-term debt which are recognized when due. Also, expenditures for accrued compensated absences are not recognized until they are payable from current available financial resources.

The proprietary fund, also in the fund financial statements, is accounted for and reported using a flow of economic resources measurement focus. This means that all assets and liabilities associated with the operation of these funds are included on the balance sheet and fund equity consists of contributed capital and retained earnings. The operating statements for the proprietary fund present increases or decreases in net total position.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

#### D. Deferred Outflows of Resources and Deferred Inflows of Resources

In some instances, the GASB requires a government to delay recognition of decreases in net position as expenditures until a future period. In other instances, governments are required to delay recognition of increases in net position as revenues until a future period. In these circumstances, deferred outflows of resources and deferred inflows of resources result from the delayed recognition of expenditures or revenues, respectively.

#### E. Net Position Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

Fund balances:

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Net position:

Net position is displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Constraints may be placed on the use, either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - Net amount of the assets, deferred outflows or resources, liabilities, and deferred inflows of resources that are not included in either of the other two categories of net position.

F. Budgets and Budgetary Accounting

The Town follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to May 15, the Town Clerk submits to the Mayor and Town Council a proposed operating budget for the fiscal year commencing the following June 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at Town Hall to obtain comments from the public.
3. Prior to May 31, the budget is legally enacted through passage of an ordinance.



4. Amendments to the budget are approved by the Town Council by a formal adoption of an ordinance.
5. Formal budgetary integration is employed as a management control device during the year for the General and Special Revenue and Debt Service Funds. The capital budget ordinances which encompass the Capital Project Funds present cumulative as opposed to annual budget amounts and thus budget and actual comparisons are not reported in the accompanying financial report for these funds.
6. Any revisions that alter total expenditures of any fund must be approved by the Councilmen. Expenditures cannot legally exceed appropriations on a fund level.
7. The Town does not utilize encumbrance accounting.
8. Budget appropriations lapse at year end.

G. Cash, Cash Equivalents and Investments

Cash and cash equivalents include amounts in demand deposits and certificates of deposit. The Town considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents. Certificates of deposit are stated at cost.

Louisiana State Statutes, as stipulated in R.S. 39:1271, authorize the Town to invest in United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having the principal office in the State of Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool. Investments are stated at cost.

H. Estimated Uncollectibles and Contractual Allowances

Uncollectible amounts due from customers' utility receivables, are recognized as bad debts and contractual allowances expense through the establishment of an allowance account at the time information becomes available, which would indicate the uncollectibility of the particular receivable.

I. Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

J. Capital Assets and Depreciation

The accounting and reporting treatment applied to capital assets associated with a fund are determined by their measurement focus. General capital assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than \$1,500.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Plant	10 to 33 years
Machinery and equipment	5 to 10 years
Furniture and fixtures	5 to 10 years

K. Accumulated Unpaid Sick Pay

Accumulated unpaid sick pay was not considered material at May 31, 2014 and is not reflected in these financial statements.

L. Property Taxes

Property taxes levied in any one year are recognized as revenues of that year.

M. Inventories

Inventories held by the Enterprise Funds are priced at the lower of cost (first-in, first-out) or market.

N. Revenue Recognition - Property Taxes

Property taxes are levied on June 1, billed on November 1, and payable by December 31.

Property tax revenues are recognized when they become available. Available includes those property tax receivables expected to be collected within sixty days after year end.

- O. The total millage of 7.29 for the year ended May 31, 2014 was composed of the following:

<u>Description</u>	<u>Millage</u>	<u>Tax Revenue</u>
General property tax	7.29	\$ 95,979

P. Compensated Absences

The Town accrued a liability for compensated absences which meet the following criteria:

- The Town's obligation relating to employees' rights to receive compensation for future absences is attributable to employees' services already rendered.
- The obligation relates to rights that vest or accumulate.
- Payment of the compensation is probable.
- The amount can be reasonably estimated.

In accordance with the above criteria the Town has accrued a liability for vacation pay that has been earned but not taken by Town employees. For governmental funds the liability for compensated absences is in the general fund since it is anticipated that the liability will be liquidated with expendable available financial resources. The liability for compensated absences is recorded in proprietary fund types as an accrued liability in accordance with FASB Statement 43.

Q. Interest Expense

Interest expense that relates to the cost of acquiring or constructing fixed assets in the Enterprise Funds is capitalized. Interest expense incurred in connection with construction of capital assets has been reduced by interest earned on the investment of funds borrowed for construction in accordance with Financial Accounting Standards Board (FASB) Statement No. 62 - Capitalization of Interest Cost in Situations Involving Certain Tax Exempt Borrowings and Certain Gifts and Grants.

Note 2. Cash, Cash Equivalents and Investments

Custodial credit risk - deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

In accordance with a fiscal agency agreement that is approved by the Board of Aldermen, the Town of Welsh maintains demand and time deposits through local depository banks that are members of the Federal Reserve System.

Deposits in excess of federally insured amounts are required by Louisiana state statute to be protected by collateral of equal market value. Authorized collateral includes general obligations of the U.S. government, obligations issued or guaranteed by an agency established by the U.S. government, general obligation bonds of any state of the U.S., or of any Louisiana parish, municipality, or school district.

The Town's bank demand and time deposits at year end of \$1,511,847 (bank balances) were entirely covered by federal depository insurance or by pledge of securities owned by the financial institution in the Town's name.

Investments held at May 31, 2014, consist of \$779,141 in the Louisiana Asset Management Pool, Inc. (LAMP), a local government investment pool (see Summary of Significant Accounting Policies). LAMP is administered by LAMP Inc., a non-profit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers Association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term high-quality investments. The LAMP portfolio includes only securities and other obligations in which local governments in Louisiana are authorized to invest. Accordingly, LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. Government, or one of its agencies,

enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances.

Interest rate risk. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments to United States bonds, treasury notes, or certificates, or time certificates of deposit of state banks organized under the laws of Louisiana and national banks having a principal office in the State of Louisiana. Local governments in Louisiana are authorized to invest in LAMP. The Town has no investment policy that would further limit its investment choices. As of December 31, 2013, the Town's investment in LAMP was rated AAAM by Standard & Poor's.

Concentration of credit risk. The Town places no limit on the amount the Town may invest in any one issuer. All of the Town's investments are in LAMP.

As of May 31, 2014, the Town had the following investments and maturities:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Certificate of deposit	\$ 310,812	\$ 310,812	\$ -	\$ -	\$ -
LAMP	779,141	779,141	-	-	-
Total	<u>\$ 1,089,953</u>	<u>\$ 1,089,953</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 3. Individual Fund Transactions

Individual fund interfund receivables and payables are as follows:

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 1,703,848	\$ 249,011
Enterprise Fund	2,486,664	4,169,632
Special Revenue - Sales Tax 1996	249,034	-
Drug seizure	-	20,903
	<u>\$ 4,439,546</u>	<u>\$ 4,439,546</u>

Operating transfers:

	<u>Transfers In</u>	<u>Transfers Out</u>
General fund:		
Utility fund	\$ 275,000	\$ -
Utility fund:		
General fund	-	275,000
Grand totals	<u>\$ 275,000</u>	<u>\$ 275,000</u>

Note 4. Dedication of Proceeds and Flow of Funds - 2.0% Sales and Use Tax

Proceeds of a 1% sales and use tax levied by the Town of Welsh, Louisiana (2014 collections \$399,036; 2013 \$410,268) are dedicated to the following purposes:

1. Used for any legal purpose as approved by Mayor and Board of Aldermen. Proceeds of a 1% sales and use tax levied by the Town of Welsh, Louisiana approved by voters October, 1993 to expire June, 2019 (2014 collections \$399,036; 2013 \$410,268) are dedicated to the following purposes:
  - A. 100% of collections to be used for police and fire department stations and equipment, sidewalks, bridges, recreational facilities, drains and drainage facilities, improving and/or maintaining streets and public buildings, and purchasing and acquiring equipment and furnishing public works.

Proceeds of a 1% sales and use tax levied by the Town of Welsh, Louisiana (2014 collections \$399,036; 2013 \$410,268) are dedicated to the following purposes:

1. Used for any legal purpose as approved by Mayor and Board of Aldermen. Proceeds of a 1% sales and use tax levied by the Town of Welsh, Louisiana approved by voters February, 1996 to expire April, 2026 (2014 collections \$399,036; 2013 \$410,268) are dedicated to the following purposes:

- A. 100% of collections to be used for constructing, improving, resurfacing and maintaining public streets, alleys and sidewalks, including drainage, and acquiring equipment therefore and to be funded into bonds.

Note 5. Restricted Assets

Assets were restricted for the following purposes as of May 31, 2014:

Public utility:

Customer deposit	\$ 67,100
Sewer and water system construction in progress	63,973
Revenue bond sinking fund, 1988 series	136,303
Revenue bond reserve fund, 1988 series	59,044
Revenue bond reserve fund, 1994 series	108,352
Water sinking and construction fund, 2003 series	<u>38,606</u>

Total - all proprietary fund types	<u>\$ 473,378</u>
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General fund:

Emergency cash reserve	<u>\$ 456,910</u>
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Note 6. Changes in Capital Assets

Capital asset activity for the year ended May 31, 2014, was as follows:

	Beginning of Year	Additions	Deletions	End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 67,599	\$ -	\$ -	\$ 67,599
Construction in progress	107,041	10,128	-	117,169
	<u>174,640</u>	<u>10,128</u>	<u>-</u>	<u>184,768</u>
Capital assets being depreciated:				
Buildings	2,264,777	-	-	2,264,777
Furniture and equipment	836,700	28,750	-	865,450
Vehicles	1,494,067	61,645	37,001	1,518,711
Total capital assets being depreciated	<u>4,595,544</u>	<u>90,395</u>	<u>37,001</u>	<u>4,648,938</u>
Less accumulated depreciation for:				
Buildings	1,205,275	37,223	-	1,242,498
Furniture and equipment	602,588	48,341	-	650,929
Vehicles	947,290	72,370	4,125	1,015,535
Total accumulated depreciation	<u>2,755,153</u>	<u>157,934</u>	<u>4,125</u>	<u>2,908,962</u>
Government activities capital assets, net	<u>\$ 2,015,031</u>	<u>\$ (57,411)</u>	<u>\$ 32,876</u>	<u>\$ 1,924,744</u>
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 226,519	\$ -	\$ -	\$ 226,519
Capital assets being depreciated:				
Plant and equipment-sewer	6,643,053	-	-	6,643,053
Plant and equipment-water	2,150,681	19,814	-	2,170,495
Plant and equipment-electric	2,600,237	155,323	-	2,755,560
Total capital assets being depreciated	<u>11,393,971</u>	<u>175,137</u>	<u>-</u>	<u>11,569,108</u>
Less accumulated depreciation for:				
Plant and equipment-sewer	2,292,010	122,795	-	2,414,805
Plant and equipment-water	1,443,460	23,502	-	1,466,962
Plant and equipment-electric	1,630,612	87,142	-	1,717,754
Total accumulated depreciation	<u>5,366,082</u>	<u>233,439</u>	<u>-</u>	<u>5,599,521</u>
Business-type activities capital assets, net	<u>\$ 6,254,408</u>	<u>\$ (58,302)</u>	<u>\$ -</u>	<u>\$ 5,969,587</u>



Depreciation expense was charged to governmental activities as follows:

General government	\$ 36,922
Public safety	80,019
Highway and streets	18,610
Sanitation	10,170
Culture and recreation	<u>12,213</u>
Total depreciation	<u>\$ 157,934</u>

Note 7. Long-Term Debt

The following is a summary of bonds payable of the Town for the year ended May 31, 2014:

	Balance 5-31-13	Additions	Reductions	Balance 5-31-14	Accounts Due After One Year
Business-type activities:					
Revenue bonds	<u>\$ 700,000</u>	<u>\$ -</u>	<u>\$ 195,000</u>	<u>\$ 505,000</u>	<u>\$ 174,000</u>
Governmental activities:					
Revenue bonds	<u>\$ 262,000</u>	<u>\$ -</u>	<u>\$ 26,000</u>	<u>\$ 236,000</u>	<u>\$ 28,000</u>

Bonds payable are comprised of the following:

Enterprise fund debt:

Refunding bonds-Series 2004, maturing serially and become due November 1 of each year until final retirement November 1, 2014, interest rate ranging from 2.45% to 4.60%	\$ 77,000
DEQ loan dated October 25, 1996 in the original amount of \$1,500,000, 1.95% interest plus .5% fee maturing September 1, 2017 payable annually in amortization payments	375,000
\$73,000 Certificate of Indebtedness, Series 2011, maturing November 1, 2020, net interest rate of 3.67%, interest payable semi-annually with principal payments made annually	<u>53,000</u>
Total enterprise fund debt	<u>\$ 505,000</u>

General obligation debt:

\$262,000 Certificate of Indebtedness, Series 2012, maturing November 1, 2021, net interest rate of 2.50%, interest payable semi-annually with principal payments made annually	<u>\$ 236,000</u>
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The annual requirements to amortize all bonded debts outstanding as of May 31, 2014 follow:

Enterprise Fund Bonds:

<u>Year Ending</u> <u>May 31,</u>	<u>FMHA Water Revenue Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	<u>\$ 77,000</u>	<u>\$ 1,771</u>	<u>\$ 78,771</u>

<u>Year Ending</u> <u>May 31,</u>	<u>DEQ Loan</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 90,000	\$ 8,085	\$ 98,085
2016	90,000	5,880	95,880
2017	95,000	3,614	98,614
2018	100,000	1,225	101,225
	<u>\$ 375,000</u>	<u>\$ 18,804</u>	<u>\$ 393,804</u>

<u>Year Ending</u> <u>May 31,</u>	<u>Certificate of Indebtedness - 2011</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 7,000	\$ 1,674	\$ 8,674
2016	7,000	1,494	8,494
2017	7,000	1,278	8,278
2018	8,000	1,008	9,008
2019	8,000	720	8,720
2020-2021	16,000	576	16,576
	<u>\$ 53,000</u>	<u>\$ 6,750</u>	<u>\$ 59,750</u>

<u>Year Ending</u> <u>May 31,</u>	<u>Certificate of Indebtedness - 2012</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 28,000	\$ 5,319	\$ 33,319
2016	28,000	4,833	32,833
2017	28,000	4,347	32,347
2018	29,000	3,712	32,712
2019	29,000	2,930	31,930
2020-2022	94,000	3,888	97,888
	<u>\$ 236,000</u>	<u>\$ 25,029</u>	<u>\$ 261,029</u>

Note 8. Litigation

The Town has had various claims and lawsuits lodged against it. All are within the normal course of business and have been evaluated by the Town's attorney and management. It is the opinion of legal counsel that these claims are adequately covered by insurance.

Note 9. Landfill Joint Venture

The Town is a participant in a joint venture referred to as the Jefferson Davis Parish Sanitary Landfill Commission. This entity was chartered on February 17, 1984. The Commission's purpose is the establishment of a long-term plant for the disposal of solid wastes in Jefferson Davis Parish. According to the charter, each participant in the Commission is responsible for a pro rata share of any operating deficits. Likewise, any distributions of surpluses are also shared on a pro rata basis. Each participant's pro rata share is based on the number of households within each participant's unit to the total number of households within all participating units. These proportions were determined using the 1980 U.S. Census as follows:

<u>Locality</u>	<u>Number of Households</u>	<u>Percentages</u>
Jennings	4,161	.421196
Welsh	1,167	.118129
Lake Arthur	1,212	.122684
Parish (excluding Jennings, Welsh, Lake Arthur and Elton)	<u>3,339</u>	<u>.337991</u>
	<u>9,879</u>	<u>1.000000</u>

The Commission consists of six commissioners as follows: two residents of Jennings, one resident of Welsh, one resident of Lake Arthur, and two residents of Jefferson Davis Parish living outside the city limits of Jennings, Welsh, Lake Arthur and Elton. The Commission members are to be appointed by the governing body of their place of residence.

The Commission has the power and authority to employ personnel, adopt its own budget and enter into agreements necessary for the operation of the landfill. In certain instances, some agreements must be consented to by all six members of the Commission.

Condensed financial information for the Jefferson Davis Parish Sanitary Landfill as of December 31, 2013 (the latest available audited financial statements) was as follows:

	<u>Total</u>	<u>Welsh (11.8129%)</u>
Total assets and deferred outflows of resources	\$ 5,750,133	\$ 679,257
Total liabilities	18,499	2,185
Total net position	5,731,634	677,072
Total liabilities and net position	5,750,133	679,257
Total revenues	1,483,822	175,282
Total expenditures	1,440,962	170,219
Net (decrease) in net position	42,860	5,063

As of December 31, 2013, the Commission had no long-term debt outstanding.

The Landfill Commission as owner of a sanitary landfill is subject to recent Environmental Protection Agency (EPA) regulations that require monitoring the landfill site for 30 years following closure of the site in addition to other closure requirements. These regulations also mandate that landfill owners provide financial assurances that they will have the resources available to satisfy the post closure standards. These guarantees can be third-party trusts, surety bonds, letters of credit, insurance, or state sponsored plans. According to the Commission's contract with the site operator, "...the contractor shall be responsible for closure in accordance with the permit...". Additionally, "...the contractor's post-closure care, maintenance and monitoring responsibility shall be three (3) years, or as required by law...". In the event the operator is for whatever reason unwilling or unable to fulfill this requirement, the responsibility for closure and post closure monitoring will revert back to the Commission.

Additionally, because of the industry the Commission participates in, certain potential liabilities are always present. These include, but are not limited to, environmental cleanup costs and EPA penalties for violation of its regulations. The EPA is empowered by law (through the Superfund legislation) to seek recovery from anyone who ever owned or operated a particular contaminated site, or anyone who ever generated or transported hazardous materials to a site (these parties are commonly referred to as potentially responsible parties, or PRPs). Potentially, the liability can extend to subsequent owners or to the parent company of a PRP.

While there are no asserted or unasserted potential costs or penalties at the date of this report that the Commission is aware of, the potential is present.

Note 10. Pension Plan

Municipal Employee's Retirement System:

Plan description:

The Town of Welsh contributes to the Municipal Employees' Retirement System of Louisiana, a cost-sharing multiple-employer plan administered by the Municipal Employee's Retirement System, State of Louisiana. The Municipal Employees' Retirement System of Louisiana was established by Act 356 of the 1954 regular session of the Legislature of the State of Louisiana to provide retirement benefits to employees of all incorporated villages, towns and cities within the State, which did not have their own retirement systems and which elected to become members of the System. The System is administered by a Board of Trustees composed of nine members, six of whom shall be active and contributing members of the System with at least ten years creditable service, elected by the members of the System; one of whom shall be the president of the Louisiana Municipal Association who shall serve as an ex-officio member during his tenure; one of whom shall be the Chairman of the Senate Retirement Committee; one of whom shall be the Chairman of the House Retirement Committee of the Legislature of Louisiana. Act #569 of the year 1968 established by the Legislature of the State of Louisiana provides an optional method for municipalities to cancel Social Security and come under supplementary benefits in the Municipal Employees' Retirement System, effective on and after June 30, 1970. Effective October 1, 1978, under Act #788, the "regular plan" and the "supplemental plan" were replaced, and are now known as Plan "A" and Plan "B". Plan "A" combines the original plan and the supplemental plan for those municipalities participating in both plans, while Plan "B" participates in only the original plan. The Town of Welsh is a member of plan "B" of the retirement system. Historical trend information for this plan is included in the separately issued report for the Municipal Employee's Retirement System for the period ended June 30, 2014.

Funding policy:

Plan members are required to contribute 5.00% of their annual covered salary and the Town of Welsh is required to contribute at a statutorily determined rate. The current rate is 8.75% of annual covered payroll. The contribution requirements of plan members and the Town of Welsh are established and may be amended by the Board of Trustees. The Town of Welsh's contributions to the Municipal Employees' Retirement System of Louisiana for the years ending May 31, 2014, 2013 and 2012 were \$53,096, \$52,675, and \$51,069, respectively, equal to the required contributions for each year.

## Municipal Police Employees Retirement System:

### Plan description:

The Town of Welsh contributes to the Municipal Police Employees' Retirement System, a cost-sharing multiple employer plan administered by the Municipal and State Police Employees' Retirement System of Louisiana. The Municipal Police Employees' Retirement System was established as of July 1, 1973, by Act 189 of 1973 and amended by RS 33:2371 of the 1986 session to become Municipal and State Police Retirement System of Louisiana. The system is a state retirement system which was created to provide retirement benefits for full time municipal police officers in Louisiana, and state police officers hired after January 1, 1987. The system is administered by a Board of Trustees of the Retirement Committee of the House of Representatives and the Chairman of the Senate Finance Committee, or their designees, to serve as voting ex-officio members of the board. Historical trend information for this plan is included in the separately issued report for the Municipal Employees' Retirement System for the period ended June 30, 2014.

### Funding policy:

Plan members are required to contribute 10% of their annual covered salary and the Town of Welsh is required to contribute at a statutorily determined rate. The current rate is 31% of annual covered payroll. The contribution requirements of plan members and the Town of Welsh are established and may be amended by the Board of Trustees. The Town of Welsh's contributions to the Municipal Police Employees' Retirement System for the years ending May 31, 2014, 2013, and 2012 were \$56,398, \$31,044, and \$13,798, respectively, equal to the required contributions for each year.

## Note 11. Fund Balance

In accordance with Government Accounting Standards Board Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, the Town classifies governmental fund balances as follows:

### Non-spendable -

includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

### Restricted -

includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained or due to constitutional provisions or enabling legislation.

Committed -

includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority (the Town Council) and does not lapse at year end. Formal action by the same authority is required to rescind such a commitment.

Assigned -

includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Mayor.

Unassigned -

includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The Town uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar for dollar spending. Additionally, the government would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The Town does not have a formal minimum fund balance policy.

The purpose of each major special revenue fund and revenue source is listed below:

Major special revenue fund	Revenue source
Sales Tax 1996	2% sales tax described in Note 4

Note 12. Subsequent Events

Subsequent events have been evaluated through November 17, 2014, the date the financial statements were available to be issued.

Note 13. Deficit Fund Balance or Retained Earnings

As of May 31, 2014, there was a deficit of \$(6,784) in the Drug Seizure Fund. The Town of Welsh plans to reduce the deficit fund balance with a transfer from the General fund.

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#### OTHER SUPPLEMENTARY INFORMATION

- Nonmajor Governmental Funds
  - Combining Balance Sheet
  - Combining Statement of  
Revenues, Expenditures, and  
Changes in Fund Balances
- Schedule of Compensation to Governing Board
- Schedule of Number of Utility Customers
- Schedule of Insurance Policies in Force

TOWN OF WELSH, LOUISIANA  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 May 31, 2014

	Special Revenue	Capital Project	Total Non-major Funds
<u>ASSETS</u>	<u>Drug Seizure</u>	<u>LCDBG Grant</u>	
Cash	\$ 14,119	\$ -	\$ 14,119
<u>LIABILITIES AND FUND BALANCE</u>			
Liabilities:			
Due to other funds	\$ 20,903	\$ -	\$ 20,903
Fund balance:			
Unassigned	(6,784)	-	(6,784)
Total liabilities and fund balance	\$ 14,119	\$ -	\$ 14,119

TOWN OF WELSH, LOUISIANA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NONMAJOR GOVERNMENTAL FUNDS  
Year Ended May 31, 2014

	Special Revenue	Capital Project	Total Non-major Funds
<u>ASSETS</u>	<u>Drug Seizure</u>	<u>LCDBG Grant</u>	
Revenues:			
Charges for services	\$ 18,500	\$ -	\$ 18,500
Interest	3	-	3
Total revenues	<u>18,503</u>	<u>-</u>	<u>18,503</u>
Expenditures:			
Public safety	6,716	-	6,716
Capital outlay	18,709	-	18,709
Miscellaneous	-	221	221
Total expenditures	<u>25,425</u>	<u>221</u>	<u>25,646</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	(6,922)	(221)	(7,143)
Fund balance at beginning of year	<u>138</u>	<u>221</u>	<u>359</u>
Fund balance at end of year	<u>\$ (6,784)</u>	<u>\$ -</u>	<u>\$ (6,784)</u>

TOWN OF WELSH, LOUISIANA

SCHEDULE OF COMPENSATION PAID TO GOVERNING BOARD  
Year Ended May 31, 2014

	<u>Salary</u>	<u>Per Diem</u>	<u>Mileage Reimbursement</u>	<u>Total</u>
Mayor:				
Carolyn Louviere	\$ 19,100	\$ 700	\$ -	\$ 19,800
Aldermen:				
Allen Ardoin	4,100	-	-	4,100
Becky Hudson	4,100	-	-	4,100
Charles Drake	4,100	-	-	4,100
Hugh Fruge	4,100	200	-	4,300
Robert Owens	4,100	-	-	4,100
	<u>\$ 39,600</u>	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ 40,500</u>

TOWN OF WELSH, LOUISIANA  
PUBLIC UTILITY ENTERPRISE FUND  
SCHEDULE OF NUMBER OF UTILITY CUSTOMERS  
May 31, 2014

	<u>Metered</u>	<u>Unmetered</u>
Electricity:		
Industrial	10	-
Commercial	156	-
Residential	1,593	-
Demand	-	-
Water	1,472	-
Sewer	1,261	-

TOWN OF WELSH, LOUISIANA  
SCHEDULE OF INSURANCE POLICIES IN FORCE  
May 31, 2014

Insurer	Policy Number	Amount of Policy
Atlantic Specialty Insurance Company	791-00-07-15-0000	\$ 1,000,000
Atlantic Specialty Insurance Company	791-00-07-15-0000	1,000,000
Atlantic Specialty Insurance Company	791-00-07-15-0000	1,000,000
Atlantic Specialty Insurance Company	791-00-07-15-0000	1,000,000
Atlantic Specialty Insurance Company	791-00-07-15-0000	300,000
Atlantic Specialty Insurance Company	791-00-07-15-0000	1,000,000
Atlantic Specialty Insurance Company	791-00-07-15-0000	10,000
Atlantic Specialty Insurance Company	791-00-07-15-0000	500,000
Atlantic Specialty Insurance Company	791-00-07-15-0000	1,000,000
Atlantic Specialty Insurance Company	791-00-07-15-0000	1,000,000
Atlantic Specialty Insurance Company	791-00-07-15-0000	1,000,000
AmRISC, LP	24974-1	2,500
AmRISC, LP	24974-1	25,000
AmRISC, LP	24974-1	60 Days
AmRISC, LP	24974-1	10,000
AmRISC, LP	24974-1	10,000
AmRISC, LP	24974-1	50,000
AmRISC, LP	24974-1	25,000
AmRISC, LP	24974-1	50,000
AmRISC, LP	24974-1	50,000
AmRISC, LP	24974-1	2,500
AmRISC, LP	24974-1	1,000
AmRISC, LP	24974-1	5,000
AmRISC, LP	24974-1	2,500
AmRISC, LP	24974-1	20,000
AmRISC, LP	24974-1	25,000
AmRISC, LP	24974-1	25,000
National Union Fire Insurance Company	AP 003391651-15	500,000
National Union Fire Insurance Company	AP 003391651-15	50,000
National Union Fire Insurance Company	AP 003391651-15	500,000
Special Risk Insurance Company	VFIS-TR-2059141-06	2,000,000
Special Risk Insurance Company	VFIS-CM-1055721-06	1,000,000
Special Risk Insurance Company	VFIS-TR-2059141-06	2,000,000
Risk Management, Inc.	70-0393-15048	500,000
Western Surety	15273251N	10,000
Western Surety	24813556N	10,000

Risk Covered	Policy Expiration Date
General aggregate	10/1/2014
Products/completed operations	10/1/2014
Coverage A	10/1/2014
Personal and advertising injury	10/1/2014
Damage to premises rented by Town	10/1/2014
Employee benefits liability	10/1/2014
Loss only deductible	10/1/2014
Sexual abuse	10/1/2014
Public officials errors and omissions	10/1/2014
Public officials employment practices	10/1/2014
Law enforcement liability	10/1/2014
Fire department service charge	10/1/2014
Pollutant clean-up and removal	10/1/2014
Newly acquired property	10/1/2014
Personal effects	10/1/2014
Property of others	10/1/2014
Valuable papers and records	10/1/2014
Property off-premises	10/1/2014
Outdoor property	10/1/2014
Accounts receivable	10/1/2014
Fire extinguisher recharge	10/1/2014
Lock replacement	10/1/2014
Reward reimbursement	10/1/2014
Inventory and appraisals of loss	10/1/2014
Signs	10/1/2014
Property in transit	10/1/2014
Off premises power failure	10/1/2014
Commercial general liability aviation policy	1/1/2015
Aviation policy-property rented to town	1/1/2015
Aviation policy-personal and advertising injury aggregate	1/1/2015
General liability-fire	10/7/2014
Auto liability-each accident-fire	10/7/2014
Commercial umbrella policy declarations	10/7/2014
Worker's compensation	1/6/2015
Public employee blanket bond-ex-officio notary	3/19/2015
Public employee blanket bond-ex-officio notary	9/8/2016

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REPORT OF INDEPENDENT AUDITORS  
ON INTERNAL CONTROL  
AND COMPLIANCE

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Honorable Mayor  
and Board of Alderman  
Town of Welsh  
Welsh, Louisiana

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Welsh, Louisiana, as of and for the year ended May 31, 2014, and the related notes to the financial statements, which collectively comprise Town of Welsh, Louisiana's basic financial statements and have issued our report thereon dated November 17, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Welsh, Louisiana's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Welsh, Louisiana's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town of Welsh, Louisiana's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency or combination of deficiencies, in internal control that is less severe than a material weakness, net important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses 14-1 through 14-2.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Welsh, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 14-3.

#### Town of Welsh, Louisiana's Response to Findings

The Town of Welsh, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town of Welsh, Louisiana's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative auditor as a public document.

*Ms Elroy Quirk & Burch*

Lake Charles, Louisiana  
November 17, 2014

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Year Ended May 31, 2014

**14-1 Segregation of Duties**

Condition: Because of the entity's size and the limited number of accounting personnel, it is not feasible to maintain a complete segregation of duties to achieve effective internal control.

Criteria: Effective internal control requires adequate segregation of duties among client personnel.

Effect: Without proper segregation of duties, errors within the financial records or fraud could go undetected.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

**14-2 Controls over Financial Reporting**

Condition: In our judgment, the Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the resources to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Criteria: The Auditing Standards Board recently issued guidance to auditors related to entity's internal controls over financial reporting. Many small organizations rely on their auditor to generate the annual financial statements including footnotes. Guidance emphasizes that the auditor cannot be part of your system of internal control over financial reporting.

Effect: Material misstatements in financial statements could go undetected.

TOWN OF WELSH, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended May 31, 2014

(Continued)

Recommendation: In our judgment, due to the lack of resources available to management to correct this material weakness in financial reporting, we recommend management mitigate this weakness by having a heightened awareness of all transactions being reported.

Response: We concur with this recommendation. Management has implemented supervision and review procedures to the extent possible.

**14-3 Improper Use of Restricted Funds**

Condition: The Town used funds committed by ordinance for natural disasters for items that were not related to natural disasters. The funds were instead used for operating expenses and capital expenditures.

Criteria: By ordinance, the Town committed the above referenced funds for emergencies as a result of natural disasters.

Effect: While the Town believed the items referenced above were emergencies, they were not the result of a natural disaster.

Recommendation: Committed funds should only be used for the purpose of their commitment.

Response: The Town passed an ordinance in March, 2014 that altered the commitment of the funds. The funds are now committed for emergencies but not specific to natural disasters.

TOWN OF WELSH, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS  
Year Ended May 31, 2014

**13-1 Segregation of Duties**

Condition: This finding was a reportable condition relating to the entity's size and limited number of accounting personnel which made it impossible to achieve effective internal accounting control.

Recommendation: To the extent cost effective, duties should be segregated and management should attempt to mitigate this weakness by supervision and review procedures.

Current status: This condition still exists; however, the Town has implemented supervision and review procedures as recommended.

**13-2 Controls over Financial Reporting**

Condition: The Town's accounting personnel and those charged with governance, in the course of their assigned duties, lack the capable skills to prepare the financial statements and related footnotes in accordance with generally accepted accounting principles and to detect and correct a material misstatement, if present.

Recommendation: Management should mitigate this weakness by having a heightened awareness of all transactions being reported.

Current status: This condition still exists; however, the Town has implemented recommended procedures.